



Consultation paper

**Closure of the Northern Ireland
Renewables Obligation to new onshore
wind in 2016**

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Ministerial Foreword



When my predecessor consulted earlier this year on the closure of the Northern Ireland Renewables Obligation (NIRO) in 2017 with a one year's grace period, this was fully in line with UK Government policy at that time.

The announcement by the Department of Energy and Climate Change (DECC) on 18 June 2015 to close the Renewables Obligations (RO) across Great Britain (GB) in 2016 to onshore wind altered that position. In response to that announcement, I sought to reassure the onshore wind industry here of my support for the position on which we had consulted.

From the outset, it has been my desire to bring the NIRO to a controlled and managed end that strikes a balance between three important matters:

- Protecting the interests of Northern Ireland consumers;
- Protecting investments already made, and securing the investment that is already planned and associated economic benefits; and
- Contributing to the NI Executive's target on renewable energy.

Whilst renewable energy in Northern Ireland is a devolved matter, it is clear from discussions with DECC that should we maintain a different policy on the NIRO closure to new onshore wind than in GB, the cost impact of that decision would be borne solely by the relatively small number of NI consumers rather than by all consumers across the UK.

I am keen to optimise the contribution which the renewables sector can make but I am also very well aware of the impact of costs on domestic and industrial energy users and the need to balance the two.

I am therefore proposing to align NI with the DECC policy of closure to onshore wind in 2016 but with grace periods for those projects which meet certain eligibility criteria set out in this document. I have been able to negotiate a later eligibility date for wind projects connecting to clusters given that this connection policy is unique to Northern Ireland but unfortunately this later date does not extend to non-cluster connections. The eligibility date for non-cluster connection projects is effective from the date of this publication.

I am authorising a short two week consultation. While I acknowledge that this is unusual, my overriding concern is to try to give as much certainty as I can to the industry. Even this must be caveated by saying that the DECC legislation is still progressing through Parliament and that we may have to take account of any implications for Northern Ireland.

I would very much welcome your views on these proposals.

Jonathan Bell MLA
Minister of Enterprise, Trade and Investment

INTRODUCTION

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Purpose of this Paper

- 1.1. This paper sets out proposals for a revised policy in relation to the closure of the Northern Ireland Renewables Obligation (NIRO) to new onshore wind projects from 1 April 2016. Other renewable technologies are **not** affected by this revision or the proposals contained in this document.

Background

- 1.2. The UK wide mechanism for incentivising renewable electricity production is the Renewables Obligation (RO) in GB since 2002 and the NIRO in NI since 2005. The RO provides non-competitive support to renewables technologies which would otherwise be unable to compete on a cost basis with conventional generation.
- 1.3. Under the NIRO, renewable electricity has grown rapidly in recent years and has increased from 3% in 2005 to just over 20% now, thus meeting the Executive's Programme for Government target of 20% by 2015. Expenditure, levied on consumers' bills across the UK, has supported this growth in renewable electricity.
- 1.4. As part of the planned UK wide implementation of Electricity Market Reform (EMR), DETI consulted in March 2015 on the closure of the NIRO to new generation from 1 April 2017 and associated grace periods¹. This was in line with the then DECC policy to close the RO in England and Wales and the ROS in Scotland with effect from that same date.

¹ http://www.detini.gov.uk/ro_transition_and_grace_period_consultation?rev=0

Revised GB policy approach for onshore wind

- 1.5. However, on 18 June 2015, due to significant financial pressures on the Levy Control Framework (LCF) (and in line with the Conservative Party Manifesto), the DECC Secretary of State announced her intention to close the ROs across GB to new onshore wind from 1 April 2016¹.
- 1.6. On 7 July 2015, she announced further information² on the revised onshore wind policy. It proposed early closure grace periods for onshore wind projects that met specific criteria on the date of the original announcement i.e. 18 June 2015. The criteria were evidence of planning permission, land rights and an accepted grid connection offer. Projects that meet the early closure grace period criteria will have until 31 March 2017 to commission and accredit under the RO. These projects will also be eligible to apply for a further one year grace period to take account of grid and radar delays. Such projects will then have until 31 March 2018 to commission and accredit under the RO.
- 1.7. Notwithstanding that energy policy is devolved, DETI has been advised that if Northern Ireland wishes to deviate from the revised GB policy approach to new onshore wind, NI consumers will have to meet all of the associated additional costs, as these will not be socialised across all UK consumers³.
- 1.8. Throughout the life of the ROs, the costs of incentivising renewable electricity have been socialised across all UK consumers. The socialisation of costs, together with the NIRO's lower obligation level, have made support for renewables in NI more affordable. The lower NI Renewables Obligation level (over 50% lower than GB) has benefitted consumers in NI.
- 1.9. The DETI Minister twice brought forward NIRO closure proposals to the Assembly's Enterprise, Trade & Investment Committee which were intended to retain support for onshore wind until 2017 but would result in additional cost to NI consumers. Understandably, there are wider concerns about placing additional burden on domestic and non-domestic consumers to achieve this and the Committee did not approve this approach.

Proposal

- 1.10. **Given the UK Government's stance not to socialise costs for new onshore wind beyond 31 March 2016 for ineligible projects and concerns about any additional cost on NI consumers, it is proposed that NI follows the GB position by closing the NIRO to new onshore wind from 1 April 2016. This would apply to onshore wind projects of all sizes.**

¹ <https://www.gov.uk/government/news/changes-to-onshore-wind-subsidies-protect-investment-and-get-the-best-deal-for-bill-payers>

² <https://www.gov.uk/government/publications/renewables-obligation-ro-grace-period-for-new-onshore-wind/information-on-the-proposed-ro-grace-period-for-new-onshore-wind>

³ Socialisation means that the costs of all three ROs are spread across the whole of the UK.

- 1.11. In order to be eligible for the proposed early closure grace period, **cluster-connection projects** will need to demonstrate that they satisfy all of the grace period conditions as of **30 October 2015**.
- 1.12. The eligibility date for wind **projects not connecting to clusters, will mirror the GB position and** is therefore the date of publication of this document i.e **30 September 2015**.
- 1.13. This paper sets out the key issues and seeks views on this proposal in relation to the closure of the NIRO with regard to new onshore wind projects. If you wish to provide your views, you should do so by **14 October 2015**.
- 1.14. As noted above, this does not affect non-wind technologies. DETI recently published a response to the NIRO Closure Grace Periods consultation for non-wind technologies which is available on the DETI website¹.

How to respond

- 1.15. Responses to this consultation should reach DETI on or before **14 October 2015** and should be sent, preferably by e-mail, to:

NIRO2015@detini.gov.uk

or by post to:

**Renewable Electricity Branch
Department of Enterprise, Trade and Investment
Netherleigh
Massey Avenue
BELFAST
BT4 2JP**

All responses should include the name and postal address of the respondent.

Confidentiality & Data Protection

- 1.16. Your response may be made public by DETI and placed on the DETI website as part of the consultation process. If you do not want all or part of your response or name made public, please state this clearly in the response by marking your response as 'CONFIDENTIAL'. Any confidentiality disclaimer that may be generated by your organisation's IT system or included as a general statement in your fax cover sheet will be taken to apply only to information in your response for which confidentiality has been specifically requested.

¹ http://www.detini.gov.uk/deti_response_to_niro_grace_period_consultation_for_non-wind_technologies.pdf

1.17. Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA) and the Data Protection Act 1998 (DPA)). If you want other information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence.

1.18. In view of this, it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

Copies of the Consultation

1.19. This document is being produced in electronic form and may be accessed on the DETI Energy website: www.energy.detini.gov.uk or may be obtained from the address above or by telephoning 028 9052 9240.

1.20. If you require access to this document in a different format – eg Braille, disk, audio cassette, larger font – or in a minority ethnic language please contact the Department on 028 9052 9240 and appropriate arrangements will be made as soon as possible.

ONSHORE WIND CLOSURE PROPOSALS AND GRACE PERIODS

2

Issues arising from the DECC onshore wind announcements

- 2.1 There are unavoidable implications for NI arising from the DECC Secretary of State's announcement of earlier closure of the GB RO to new onshore wind and her stance on the non-socialisation of costs for any policy deviation by NI.
- 2.2 Alignment with the policy of closure for onshore wind projects from 1 April 2016, should ensure that some 480MW of onshore wind currently awaiting grid connection would meet the grace period criteria set out below in paragraph 2.8. This, along with the current installed capacity of approximately 800MW would deliver approximately 30% of electricity consumption from renewable sources. This option will produce the most megawatts installed at least cost to the NI consumer. There would be no specific additional cost to the NI consumer over and above the standard socialised costs for the NIRO grace periods as a whole.
- 2.3 However, if we were not to align with GB and instead retain the 2017 closure date for all wind projects, the cost of this additional generation would not be socialised across the UK but would have to be met solely by NI consumers at full cost (not the lower level of obligation from which NI consumers have to date benefitted). It is estimated that this would add around £5 to a domestic bill per annum for the 20 year period and approximately £10,000 on a Large Energy Users bill. These figures would depend upon what action the DECC Secretary of State decided to take if this was the NI position. In other scenarios costs could be higher.

DETI revised onshore wind policy

- 2.4 In the circumstances where there is potential risk that consumer costs could increase significantly, the only way to support the majority of onshore wind generation with associated benefits in terms of greenhouse gas reductions, jobs and wider economic benefits but without incurring further specific

additional costs to the consumer is to align with the DECC policy and close the NIRO to onshore wind in 2016. This would apply to small scale projects (single wind turbines) and large scale (wind farms).

Eligibility dates for NI projects

- 2.5 Discussions with DECC have, however, secured a later effective date than GB for projects to be eligible for the early closure grace period. In GB, the eligibility date is 18 June 2015.

Connections to NIE Clusters

- 2.6 DECC has accepted that the delays associated with the development and approval of NIE cluster connection policy is sufficiently different to connection policy in GB to warrant a later eligibility date. **The eligibility date for wind projects connecting to an identified NIE cluster will be 30 October 2015.**

Non-cluster connections

- 2.7 Proposals to have non-cluster connections have the same eligibility date as cluster connections have been rejected by DECC Ministers. DECC Ministers have said that there will be no further concessions for Northern Ireland. Any further attempts to move away from the GB policy position will result in DECC legislating for NI to pay all costs that are inconsistent with the DECC policy of 18 June 2015. **The eligibility date in NI for onshore wind non-cluster connections will be the date of publication of this consultation document i.e. 30 September 2015.**

Proposed eligibility and evidence criteria for grace periods for NI onshore wind

- 2.8 In order to be eligible for the proposed early closure grace period, projects will need to demonstrate that they satisfy all of the grace period conditions as of 30 October 2015 for cluster connected projects or 30 September 2015 for non-cluster connections. The proposed early closure grace period would apply to projects which are able to:
- (i) Demonstrate that they have relevant planning permission dated no later than the relevant eligibility date;
 - (ii) Demonstrate that they have a grid connection offer and acceptance of that offer, both dated no later than the relevant eligibility date or confirmation that no grid connection is required; and
 - (iii) Provide a Director's Certificate confirming that, as at the relevant eligibility date, the developer or proposed operator of the station owns the land on which the station is to be situated or has an option

or agreement to lease the land or is party to an exclusivity agreement in relation to the land.

- 2.9 Projects that satisfy the early closure grace period criteria, and for which they will need to apply to Ofgem, would be able to accredit under the NIRO up to 31 March 2017. If they cannot accredit by that date due to grid or radar delays, they may apply for a further grace period of 12 months up to 31 March 2018. The criteria for the grid and radar delay grace periods for these projects is the same as that for non- wind projects as set out in Annex A.

Implementation

- 2.10 Subject to Assembly approval, a Closure Order for wind will be made in due course.
- 2.11 This Closure Order for wind will close the NIRO to all new wind projects from 1 April 2016. From this date, projects which meet the relevant eligibility date and associated criteria will be able to apply to Ofgem to accredit under the NIRO up until 31 March 2017. Eligible projects will have a further year to accredit under the NIRO should they meet the radar/grid delay grace period criteria.
- 2.12 Ofgem will only be able to assess eligibility for grace periods once it is content that all other eligibility criteria have been met and the project has been commissioned.

Consultation question

1. Do you have any comments on the proposed eligibility and evidence criteria for grace periods?

Grace Period Criteria for projects that meet the eligibility criteria as set out in paragraph 2.8.

Type	Duration	Eligibility	Application timeframe	Evidence
Grid Connection	12 months	Onshore Wind	Apply by 31 March 2018 as part of the application for accreditation after delay has materialized.	<p>1. Grid connection agreement consisting of:</p> <ul style="list-style-type: none"> • A grid connection offer; • Acceptance of that offer; • A letter from the network operator (NIE/SONI) which confirms that at the date of receipt of the connection application for the proposed generating station it was the intention to complete the relevant grid works no later than 31st March 2017. <p>2. A written declaration by the generator that to the best of their knowledge, the generating station would have been commissioned on or before 31 March 2017 if the connection had been made on or before the grid connection date.</p> <p>3. A letter from NIE/SONI confirming that the relevant grid works were completed after 31st March 2017, and, in NIE/SONI's opinion, the failure to complete the relevant grid works on or before 31st March 2017 was outside of the control of the generating station developer and was not due to any breach by a generating station developer of any agreement with the relevant network operator.</p>
Radar	12 months	Onshore wind	Apply by 31 March 2018 as part of the application for	<p>1. A copy of a radar works agreement specifying a radar works completion date which is no later than 31 March 2017;</p>

			<p>accreditation after delay has materialized.</p>	<p>2. A letter from a party to the radar works agreement who is unrelated to the generator / developer confirming that the radar works were completed after the agreed date and that the failure to complete the radar works on time was not due to any breach of the radar works agreement by the generator / developer; and</p> <p>3. A written declaration by the generator that, to the best of their knowledge and belief, the station would have been commissioned on or before 31st March 2017 if the radar works had been completed on or before the radar works completion date.</p>
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Equality Assessment

Under section 75 of the Northern Ireland Act 1998, the Department is required to have due regard to the need to promote equality of opportunity:

- between persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;
- between men and women generally;
- between persons with a disability and persons without; and
- between persons with dependants and persons without.

In addition, without prejudice to its obligations above, the Department is also required, in carrying out its functions relating to Northern Ireland, to have regard to the desirability of promoting good relations between persons of different religious beliefs, political opinions or racial group.

We have carried out an equality screening exercise in relation to these proposals and found that they do not have any significant equality impact. A full Equality Impact Assessment, therefore, is not required. The equality screening form can be accessed on the DETI website¹.

¹ http://www.deti.gov.uk/index/deti-about-home/equality-section-75-of-the-ni-act-1998/equality_screening.htm



Dep.....

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